Annual Report

of the

Agriculture Rehabilitation and
Development Directorate

for the period ended

March 31, 1986

Ontario Ministry of Agriculture and Food

Introduction:

The government of Canada initiated the Agriculture Rehabilitation and Development Act (ARDA) in 1961 to deal with unemployment, underemployment and general social disadvantage in rural areas. By December of 1962, Ontario had signed a series of agreements with the federal government to cover the period ending March 31, 1965 and had passed the Provincial Agriculture Rehabilitation and Development Act. This Act established the ARDA Directorate of Ontario, a corporate body of representatives from several departments with responsibility to review, assess and make recommendations relative to the approval of ARDA projects before submitting them to the federal government for funding approval.

Three more agreements were subsequently signed to cover the period April 1, 1965 to March 31, 1979. The agreement programs were implemented by the province which has continued to maintain the projects underway as of the termination of the final agreement.

COMPOSITION AND ACTIVITIES OF THE ARDA DIRECTORATE OF ONTARIO

As of March 31, 1986, the ARDA Directorate was comprised of the following members, all of the Ontario Ministry of Agriculture and Food.:

Chairman:	- V. Spencer, Director, Soil & Water Management Branch
Vice-Chairman:	- R. Seguin, Director, Economics and Policy Coordination Branch
Member:	- N. MacLeod, Manager, Farm Assistance Programs Branch

During the 1985-1986 fiscal year the Directorate held three meetings to discuss policy and program issues related to the maintenance of the ARDA programs.

REPORT ON PROGRAMS ADMINISTERED - APRIL 1, 1985 TO MARCH 31, 1986.

1. Farm Enlargement Program

The prime purpose of the Farm Enlargement Program was to enable farm operations on small uneconomic units to acquire more land to develop financially viable units. The program was designed to accept these high risk applicants who would not qualify for loans through normal credit channels for the purchase of additional lands.

During the 1966 to 1979 period, 178,000 hectares of land were purchased for a total of $36.6 million. The majority of this land was leased with option to purchase to farmers who qualified under the Farm Enlargement Program. Most of these farmers purchased this land at the end of the first 5 years of the lease. Other farmers renewed for a further 5 years and purchased the land at the end of 10 years.

As of March 31, 1986 over 2200 farm units had been leased and subsequently purchased.

In July of 1983, a sunset date of December 31, 1987 was established. The termination policy developed required all properties given up by lessees to be declared surplus to program needs, and sold. During the fiscal year, a total of 24 properties were given up by lessees or terminated by the ARDA Directorate and declared surplus to program needs.

Tables 1 and 2 summarize the fiscal year activities and the status as of the end of the fiscal year for the Farm Enlargement Program. Table 3 shows the present lease expiry schedule while Table 4 indicates the number of leases currently in effect by county and district.

2. Community Pasture Program

The major objective of the Ontario Community Pasture Program was to provide small scale livestock farmers with access to off-farm pastures which would allow them to increase the carrying capacity of their home farms. Most of the land in the pasture program was not suitable for intensive arable farming and required good management to provide adequate pasture.

There were 10 community pastures in operation in Ontario during the fiscal year. In each case, the local Community Pasture Board managed the community pasture in the name of the ARDA Directorate of Ontario. It was expected that each of the pastures would be self sufficient and that the operation of the pasture and future development costs would be covered from the fees paid by the farmers using the land.

As of March 31, 1986, a total of 6,431 hectares were in use as community pasture (table 5). This land at the time of purchase was valued at approximately $947,000.00. A total of just over $1 million has been invested to develop the land for pasture purposes. During the 1985 pasture season, a total of 5612 cattle, owned by 353 producers, were pastured on this land (table 6).

Several of the community pastures were involved in on-site demonstration of good pasture management techniques. Some of this activity was funded in part by the Northern Ontario Rural Development Agreement and the Eastern Ontario Subsidiary Agreement. Farmers in the community had the opportunity to view first hand the benefits that can be accrued from the application of proven pasture managment techniques.

In December 1985, a conference including the chairman, secretary and pasture manager from each of the 10 community pastures was held. It was agreed that the pastures would continue to provide service to those farmers who put cattle on the pasture but that a major objective of the community pasture program in future would be the demonstration of new pasture techniques and practical approved pasture management techniques for adoption by area farmers. To assist the various Pasture Boards to implement demonstration projects, the province made available funds up to $3,000.00 per pasture to cover additional costs connected with the implementation of demonstration projects. These projects were to be carried out during the pasture season of 1986.

Table 7 shows the revenue and expenses for the pastures in the fiscal year. Revenues were almost entirely spent for pasture staff and maintenance. Table 8 summarizes the activity of each of the 10 pastures in operation during the fiscal year.

The carrying capacity of the pastures has been improved as fertility levels were increased and proven pasture management techniques were applied. The carrying capacity has risen from an average of 1.13 hectares per animal in the period 1977 to 1982 to 1.02 hectares per animal in 1985. In addition Ministry extension personnel have reported that some local farmers have increased the carrying capacity of their own pastures by applying the techniques used on the Community Pastures.

3. Incentives for Industries in Rural Ontario - Part V

The main purpose of this program was to provide employment opportunities for rural people. Assistance was provided under this program for a variety of projects designed to create or expand small business activities in rural areas. As of the end of March, 1986, a total of 104 rural employment projects had been completed with an estimated employment impact of over 1000 direct jobs and rural employment of 375 part time jobs on crown timber lands.

The projects were generally approved on the basis of forgiveable loans which were forgiven at a rate of 10% of the face amount over each of the first 5 years with 50% being forgiven in the 6th year. Forgivenesses were based on the progress being made by the enterprise. During the 1985-86 fiscal year, a total of $277,610 was forgiven, leaving a total balance outstanding of $349,100 as of March 31, 1986. (Table 9)

FINANCIAL STATUS - ARDA DIRECTORATE OF ONTARIO - MARCH 31, 1986

Table 10 shows the financial status of the directorate as of March 31, 1986. The assets, including current appraised (book) value of all properties controlled by the Directorate, accounts receivable and Part V loans, totalled $8,114,291. As community pastures have not been re-appraised since purchase, the original capital costs are included.

TABLE 1 Farm Enlargement Program Activity
April 1,1985 to March 31, 1986

	1985-86 activity
Sales completed	55
Properties declared surplus	24
Revenue - rent	$ 598,429
- sales proceeds	$1,387,848
TOTAL	$1,986,277
Remitted to Canada	$ 801,854

TABLE 2 Farm Enlargement Program - Status
as of March 31, 1986

	Status March 31/86
Leases in effect	121
Sales pending - to lessees	34
- as surplus properties	24
Leases expired - decision pending	2
TOTAL	181

TABLE 3 Farm Enlargement Program - Lease Expiry Schedule

Year of Expiry	Number of Leases
1984 and earlier	2
1985	7
1986	62
1987	39
1988 and later *	11
TOTAL	121

*includes life leases and 5 year leases given in 1983 prior to establishment of sunset date of December 31, 1987

TABLE 4 Farm Enlargement Program - Active Leases by County - as at March 31, 1986

County/District	Number of Leases
Algoma	1
Bruce	8
Carleton	1
Cochrane	29
Dundas	6
Frontenac	1
Glengarry	2
Grenville	3
Grey	6
Huron	3
Kenora	2
Leeds	3
Lennox & Addington	4
Manitoulin	4
Nipissing	1

Cont....

County/District	Number of Leases
Northumberland	1
Prescott	18
Prince Edward	1
Rainy River	5
Renfrew	1
Russell	3
Stormont	6
Sudbury	1
Temiskaming	11
TOTAL	121

TABLE 5 Community Pasture Program - Funding Provided 1962-1986

Number of Pastures	Land Costs	Development Costs*	Total Costs	Total Hectares Purchased	Total Hectares for grazing	Average Cost per Hectare
10	$947,733	$1,066,288	$2,013,023	6431	5753	$313

* Development costs is funding for initial development of the pasture and does not include any operating or ongoing development costs, which are paid from pasture revenue.

TABLE 6 Community Pasture Program - 1985 Livestock Carrying Capacity and Pasture Gain

Number of Pasture Users	Number of Livestock			Hectares Grazed	Pasture Days	Pasture Gains		
	Total	Full Season	Short Season			Beef Heifers Kg/day	Steers Kg/day	Dairy Heifers Kg/day
353	5612	5158	454	5738	1736	0.81	0.77	0.72

TABLE 7 Community Pasture Program - 1985 Revenue and Expenses

Number of Pastures	Pasture Revenue	Capital and Operating Expenses	Revenue over Expenses	Revenue per User	Expenditure per User
10	335,073	326,412	8,661	949.21	924.68

TABLE 8 - COMMUNITY PASTURE SUMMARY 1985-86

	Number Head On Pasture	Workable Hectares	Grazing Hectares	Pasture Revenue	Capital & Operating Expenditures	Revenue per Hectare (Grazing)
Algoma	159	81	95	6,271	2,840	66.01
Bruce	1304	480	480	82,060	73,867	170.95
Grey	529	202	273	44,721	39,628	163.81
Leeds	484	280	480	23,784	23,574	49.55
Manitoulin *	642	361	2322	27,271	25,788	66.73
Quinte	614	323	404	34,309	34,327	84.92
Rainy River	236	-	162	16,798	21,440	103.69
Temiskaming	372	234	234	17,528	17,594	74.90
Thunder Bay	246	235	400	11,052	14,049	27.63
Victoria	1026	606	888	71,279	73,305	80.27
TOTAL	5612	2802	5738	335,073	326,412	

* Represents three pastures in the district of Manitoulin

Table 9 Incentives for Industries in Rural Ontario-Part V

Loan Status - March 31, 1986

		Status March 31/86
Loans Approved	1972-1979	104
Funding Approved	1972-1979	$5,846,293
Current Loans		10
Current Outstanding balance		$349,100

TABLE 10 Financial Status - ARDA Directorate - March 31, 1986

	Status March 31/86	
Properties Controlled	181	
Community Pastures Controlled	10	
Hectares re. 181 Properties	11,750	
Hectares re. 10 Pastures	6,431	
Value of assets on 181 current Properties		$4,821,100
Value of assets on 10 pastures		2,014,021*
Total assets		6,835,121
Accounts Receivable (1985 Billing)		552,570
Accounts Receivable (arrears)		377,500
Part V Forgivable Loans		349,100
TOTAL		$8,114,291

*Original Capital Cost plus Development Cost

AGRICULTURAL REHABILITATION AND DEVELOPMENT DIRECTORATE OF ONTARIO

Financial Statements and
Report on the Audit
for the year ended March 31, 1986

AGRICULTURAL REHABILITATION AND DEVELOPMENT DIRECTORATE OF ONTARIO

Statement of Assets and Surplus as at March 31, 1986

	1986 $	1985 $
Assets		
Cash in bank re community pastures	196,902	152,516
Mortgage loan	58,334	66,667
Farm properties and improvements (note 1b(i))		
Land	4,559,534	5,534,628
Building and land improvements	2,842,281	3,305,003
	7,401,815	8,839,631
	7,657,051	9,058,814
Surplus		
Contributed surplus	7,460,149	8,906,298
Surplus re community pastures	196,902	152,516
	7,657,051	9,058,814

See accompanying notes to financial statements.

On behalf of the Directorate :

Vernon Spencer
Chairman

Vice-Chairman

AGRICULTURAL REHABILITATION AND DEVELOPMENT
DIRECTORATE OF ONTARIO

Statement of Surplus
for the year ended March 31, 1986

	1986 $	1985 $
Contributed surplus		
Balance, beginning of year	8,906,298	11,683,405
Add: Cost of land and improvements purchased or transferred in	44,199	118,726
Less: Cost of land and improvements sold or transferred out	1,482,015	2,887,500
Payment received on mortgage loan	8,333	8,333
	1,490,348	2,895,833
Balance, end of year	7,460,149	8,906,298
Surplus re community pastures		
Balance, beginning of year	152,516	160,877
Excess (deficiency)of receipts over disbursements	44,386	(8,361)
Balance, end of year	196,902	152,516

See accompanying notes to financial statements.

AGRICULTURAL REHABILITATION AND DEVELOPMENT DIRECTORATE OF ONTARIO

Statement of Receipts and Disbursements (excluding Community Pastures) for the year ended March 31, 1986

	1986 $	1985 $
Receipts (note 3)		
Sale of properties	1,437,918	2,872,685
Lease rentals	488,233	764,074
Sales - logs, timber and other	28,495	3,702
Loan repayment	8,333	8,333
Interest	6,667	7,562
Reimbursement of disbursements	2,000	15,753
Total receipts	1,971,646	3,672,109
Disbursements (note 3)		
Receipts allocated to:		
Ministry of Agriculture and Food	1,169,792	2,136,616
Government of Canada	801,854	1,535,493
Total disbursements	1,971,646	3,672,109

See accompanying notes to financial statements.

AGRICULTURAL REHABILITATION AND DEVELOPMENT DIRECTORATE OF ONTARIO

Statement of Receipts and Disbursements of Community Pastures for the year ended March 31, 1986

	1986 $	1985 $
Receipts		
Grazing fees	295,353	250,347
Tax and other refunds	30,182	4,563
Grants (note 4)	20,656	-
Miscellaneous	15,541	21,550
Bank interest	7,046	5,250
Sundry sales	5,905	16,990
Bank loan	3,200	6,000
	377,883	304,700
Disbursements (note 1(b)(ii))		
Overhead costs	130,981	112,229
Pasture maintenance	112,233	112,062
Service to cattle	38,011	29,475
Taxes	35,768	36,115
Capital expenditure	16,504	23,180
	333,497	313,061
Excess (deficiency) of receipts over disbursements transferred to Surplus re community pastures	44,386	(8,361)

See accompanying notes to financial statements.

AGRICULTURAL REHABILITATION AND DEVELOPMENT
DIRECTORATE OF ONTARIO

Notes to Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Directorate uses a cash basis of accounting.

(b) Farm properties and improvements

(i) Land and improvements

Land and improvement costs include disbursements made by the Directorate and the Government of Canada. Recoveries of costs incurred to March 31, 1980, the date of termination of the federal-provincial cost sharing agreement, are shareable with the Government of Canada when realized on sale of the property.

A majority of the lands and buildings are leased to farmers. Upon expiry of the term of the lease, the lessee can purchase the property for an amount equal to its accumulated capital cost. Accordingly, no reduction in the value of the buildings through depreciation is made.

(ii) Capital disbursements of community pastures

Fixed assets purchased by community pastures after commencement of operations are expensed in the year of acquisition.

2. FORGIVABLE LOANS

Prior to 1980 the Directorate provided financial assistance to companies in the form of forgivable loans. These loans are forgiven, based on the performance of the conditions set out in the loan agreements. As at March 31, 1986, forgivable loans outstanding totalled $349,100 (1985 - $626,710).

3. RECEIPTS AND DISBURSEMENTS (excluding Community Pastures)

Receipts as reported in the statement of receipts and disbursements are deposited in the Consolidated Revenue Fund of the Province of Ontario.

At the end of the fiscal year the Federal Government's share is disbursed out of the Consolidated Revenue Fund. All administrative and other expenditures are absorbed by the Ministry.

4. GRANTS

To assist the various Pasture Boards in implementing demonstration projects, the Ministry of Agriculture and Food paid grants amounting to $20,656 in the 1985-86 fiscal year.

5. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with 1986 presentation.

Ontario

Office of the
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Auditor

Parliament Buildings
Queen's Park
Toronto, Ontario
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416 965-1381

To the Agricultural Rehabilitation and Development Directorate of Ontario, to the Minister of Agriculture and Food, and to the Treasurer of Ontario.

I have examined the statement of assets and surplus of the Agricultural Rehabilitation and Development Directorate of Ontario as at March 31, 1986 and the statements of surplus, receipts and disbursements, and receipts and disbursements of community pastures for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the assets and surplus of the Directorate as at March 31, 1986 and its receipts and disbursements for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

In accordance with section 8 of the Agricultural Rehabilitation and Development Act (Ontario), a report on the audit has been made to the Directorate and to the Treasurer of Ontario. A report on the audit has also been made to the Minister of Agriculture and Food.

J.F. Otterman

Toronto, Ontario,
September 5, 1986.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

Ontario

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Provincial
Auditor

Parliament Buildings
Queen's Park
Toronto, Ontario
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AGRICULTURAL REHABILITATION AND DEVELOPMENT DIRECTORATE OF ONTARIO

Report on the Audit for the year ended March 31, 1986

In accordance with section 8 of The Agricultural Rehabilitation and Development Act (Ontario), an audit of the accounts and financial transactions of the Agricultural Rehabilitation and Development Directorate of Ontario has been completed for the year ended March 31, 1986.

Audit Findings and Recommendations

Our current year's audit of the accounts and financial transactions of the Directorate indicated the following matters worthy of consideration.

Community Pastures

The Directorate administers the Community Pasture Program which provides livestock farmers with pasture land to enable them to increase the carrying capacity of their own operations. This program is a very decentralized operation, with much of the administration handled by local community Pasture Committees. Accordingly, this type of operation requires good central reporting and analytical review procedures to ensure the Committees are accountable to the Directorate.

Each Community Pasture submits annually to the Ministry's Community Pasture Co-ordinator for approval, detailed operational budgets for the forthcoming year. Subsequent to the March 31 year end each pasture submits its annual Statement of Receipts and Disbursements to the Pasture Co-ordinator. These statements are consolidated by the Directorate accountant for financial statement purposes.

Our review of the reports and records filed by the Pastures revealed a few areas where improvement is required, namely:

- Financial reports did not contain a complete reconciliation between the Pasture reported cash surplus and cash as per its bank accounts as required by the Pastures Operations Manual.
- Budgeted figures approved by the Pasture Co-ordinator were not formally compared to the actual pasture expenditures incurred nor were formal explanations of major variances requested.

These points were reported in our prior year's audit report to the Directorate.

We again recommend that the Directorate :

- review the annual financial reports of the Pastures ensuring that they are prepared on a consistent basis in accordance with the Operations Manual; and
- obtain formal explanations where actual expenditures are significantly different from the approved budget.

Transferred Properties

In our reports for the last two years, we recommended that the Directorate, in conjunction with the Ministry of Natural Resources (MNR), improve the overall monitoring of the Directorate properties assigned to MNR, and reconcile the differences between the ministries' two property records.

During last year's audit, we noted that the Directorate had completed a comparison of their records of transferred properties to MNR property records. A list of differences between the two records was prepared and forwarded to MNR for explanations of the identified differences.

We understand that MNR has agreed to complete the reconciliation by April 1, 1987.

E. M. Osti.

E.M. Osti, C.M.A.,
Director,
Resources Development Policy
Field Branch.

Toronto, Ontario,
September 5, 1986.

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November 5, 1986.

Mr. V. Spencer, Chairman,
Agricultural Rehabilitation and
Development Directorate of Ontario,
Ministry of Agriculture and Food,
8th Floor, 801 Bay Street,
Toronto, Ontario.

Dear Mr. Spencer:

In accordance with section 8 of the Agricultural Rehabilitation and Development Act (Ontario), an audit of the accounts and financial transactions of the Directorate has been completed for the year ended March 31, 1986. A copy of the audited financial statements is enclosed.

While not affecting my expressed opinion on the financial statements, a report on the audit has been prepared and a copy is attached. It would be appreciated if you would review this report and forward your comments on our findings and recommendations.

Five additional copies of the audited financial statements and the report are enclosed for distribution to the other members and senior officials of the Directorate.

Sincerely,

J.F. Otterman

EMO/sl
Encl.

J.F. Otterman,
Assistant Provincial Auditor.

Ontario

Office of the
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Auditor

Parliament Buildings
Queen's Park
Toronto, Ontario
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416 965-1381

November 5, 1986.

Honourable Robert Nixon,
Treasurer of Ontario,
Province of Ontario,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Nixon :

In accordance with section 8 of the Agricultural Rehabilitation and Development Act (Ontario), an audit of the accounts and financial transactions of the Directorate has been completed for the year ended March 31, 1986. A copy of the audited financial statements is enclosed.

While not affecting my expressed opinion on the financial statements, a report on the audit has been prepared and a copy is attached.

A copy of the audited financial statements and the related report has been forwarded to the Honourable Jack Riddell, Minister of Agriculture and Food. In addition, six copies have been forwarded to Mr. V. Spencer, Chairman of the Directorate, for distribution to the members and senior officials of the Directorate.

Sincerely,

J.F. Otterman,
Assistant Provincial Auditor.

EMO/sl
Encl.

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November 5, 1986.

Honourable Jack Riddell,
Minister of Agriculture and Food,
Province of Ontario,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Riddell :

In accordance with section 8 of the Agricultural Rehabilitation and Development Act (Ontario), an audit of the accounts and financial transactions of the Directorate has been completed for the year ended March 31, 1986. A copy of the audited financial statements is enclosed.

While not affecting my expressed opinion on the financial statements, a report on the audit has been prepared and a copy is attached.

A copy of the audited financial statements and the related report has been forwarded to the Honourable Robert Nixon, Treasurer of Ontario. In addition, six copies have been forwarded to Mr. V. Spencer, Chairman of the Directorate, for distribution to the members and senior officials of the Directorate.

Sincerely,

J.F. Otterman

EMO/sl
Encl.

J.F. Otterman,
Assistant Provincial Auditor.

Ontario

Ministry of
Agriculture
and Food

416/965-
7661

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Farm Assistance Programs Branch

December 9, 1986

Mr. E.M. Osti
Office of the Provincial Auditor
56 Wellesley St. W., 7th Floor
Toronto, Ont.
M7A 1A2

Dear Mr. Osti:

We have reviewed your report on the audit for the Agricultural Rehabilitation and Development Directorate of Ontario for the year ended March 31, 1986 and comment as follows:

Community Pastures:

We have worked closely with the Community Pasture Boards to ensure that financial statements are complete and properly explained.

We are making refinements to the Pasture Operations Manual and hope that the future efforts by the Pasture treasurers will meet the requirements outlined.

Transferred Properties (MNR)

It is still our understanding that MNR will have a reconciliation of the properties transferred to them by April 1, 1987.

Please feel free to contact me if you require any further information.

Sincerely,

Vernon Spencer

Vernon Spencer, Chairman
Agricultural Rehabilitation and
Development Directorate of Ontario

BN:rk